

MINUTES OF THE BUDGET & FINANCE COMMITTEE MEETING OF THE MONTEREY PENINSULA AIRPORT DISTRICT BOARD OF DIRECTORS

December 11, 2020 – 9:00 AM

SPECIAL AND URGENT NOTICE ELIMINATING IN-PERSON PUBLIC PARTICIPATION AT MONTEREY PENINSULA AIRPORT DISTRICT BOARD MEETINGS

Due to the directives contained in the Governor's Declarations of Emergency for the State of California (Executive Orders N-25-20 and N-29-20) and the Governor's Stay at Home Order (Executive Order N-33-20), the Board of Directors of the Monterey Peninsula Airport District is required to limit in-person attendance at the upcoming Board Committee meeting. Members of the public may utilize alternative measures established by the Monterey Peninsula Airport District to listen to Board meeting and/or to communicate your opinions to the Board Members. To participate in the Board meeting via Zoom video conference, please visit www.zoom.us/join and enter the following Meeting ID: **867 2454 4400**. The password for this meeting is: **20201211**. If you do not have access to the internet, you may also participate telephonically by calling (253) 215-8782 and entering the same Meeting ID and password.

Members of the public who wish to provide comment on an item on the agenda may do so during the meeting prior to the item being considered by the Board.

A. CALL TO ORDER

Finance Committee Meeting of the Board of Directors was called to order at 10:00 AM. Director Leffel, Director Cursio, Executive Director La Pier, Deputy Director Strategy and Development Morello and Deputy Executive Director of Finance and Administration Bergholz were present.

Brandon Young, CPA, Assurance Senior Manager with LSL CPAs and Advisors was also present.

The following documents were presented to the Budget and Finance Committee members:

*Fiscal Year 2020 Audit Letters and Audited Financial Statements
October 2020 Financial Statements
October 2020 Financial Statement Variance Analysis
October 31, 2020 Accounts Receivable Aged Invoice Report*

B. COMMUNICATIONS/ANNOUNCEMENTS/INFORMATIONAL ITEMS

None.

C. PUBLIC COMMENTS

None.

D. REGULAR AGENDA – ACTION ITEMS

Presentation 1. Fiscal Year 2020 Audit Report by Brandon Young, Partner, LSL CPAs and Advisors

Mr. Young provided an overview of 5 sections of the FY 2020 audit report and the option letters summarizing the findings of LSL CPAs and Advisors. He further provided an explanation of the Net Pension and Other Post Retirement Benefit Liabilities schedules for clarifying the potential exposure to the District.

Review 2. Creation of a Full-time Superintendent of Field Operations Position

Executive Director La Pier presented the request and goal for opening and filling an Operations Superintendent position to support Deputy Director Strategy and Development Morello. The Position is recognized as a mid-level manager that will oversee Operations and Maintenance departments. Director Leffel and Cursio agreed to recommend the position be approved at the Board of Directors meeting.

Review 3. FYTD 2020 Financial Statements

Reviewed overall financial performance of the Airport as of October 31, 2020.

The COVID-19 health emergency continues in October which is impacting aviation travel in different ways. Commercial airline enplanements are increasing at about 15% month over month, general aviation landings are about 80% of prior years landings and travel related concessions are improving. Airport customers and tenants have adjusted to travel safety requirements under the pandemic and the industries COVID-19 safety policies and practices are improving.

The Airport did not file a Corona Virus Aid, Relief, and Economic Security (CARES) Act reimbursement request for October. The Airport practice is to only draw funds when cash outflows exceeds cash inflows from operations, district capital improvements and debt services. It is expected that the Airport will resume CARES Act draws in both November and December. As of October 31, total CARES Act reimbursement requests submitted are \$2.933M and the balance available is \$9.73M.

October 2020 combined Airport operating revenues are \$503.7K which is \$198.8K (65.2%) higher than budget (\$304.9K). The October favorable revenue variance is attributed to continuing improvement and stability in Commercial, General Aviation and Concession revenues. Most of the businesses operating in the Non-Aviation and Other Operating continue to operate with near normal revenues.

The October favorable revenue variance is attributed to the following:

- Commercial Aviation (CA) fees in October are over budget (\$48.5K actual vs \$32.7K budget) by \$15.7K or 48.1%. Aircraft landing volumes (210) are over budget (160) by 50 landings. In October, commercial airlines revenue generating enplanements improved from 6,667 in September to 7,871 passengers.*
- General Aviation (GA) operating revenues for October (\$137.2K) are \$56.6K or 70.2% higher than budget (\$80.6K). This favorable GA revenue variance resulted from higher GA Landing (\$28.0K) and Fuel Flowage (\$30.6K) fees.*
- In October combined TCP permits, Taxi Permits/Trips, TNC Trips, Terminal Concessions, Rental Car and Parking Concessions (Concessions) revenues (\$105.7K) are \$101.7K or 2,512% higher than budget (\$4.05K). The FY 20 Concessions budget was prepared without including any Terminal, Rental Car or Parking concession revenues during the abatement period since there was little information to project possible revenues. Concession revenues have always been forecasted from potential enplanements and deplanements. Rental car revenues are operating at about 50% of normal without significant changes in enplanements and deplanements. We have confirmed that a significant number of local customers and car service centers are utilizing the Airport's rental car concession services.*
- October Non-Aviation Tenant revenues (\$168.3K) are higher than budget (\$157.2) by \$11.1K or 7.1%. \$6.3K of the variance came from Tarpy's who remitted subtenant rent payments for October.*

- *October Other Operating Revenues (\$20.9K) are higher than budget (\$12.6K) by \$8.3K or 66.0%. The favorable variance resulted from higher tenant utilities chargebacks (\$1.5K), higher tenant parking passes and badges (\$4.4K) and an EDD payroll tax refund (\$2.5K).*

October operating expenses (\$614.0K) are under budget (\$661.0K) by \$47.0K or 7.1%. The expense variance came from the following:

- *Salary & Wages and Employer Payroll Tax (Wages) Expenses (\$156.5K) for October are materially on budget (\$155.7K).*
- *Employer Benefit Expenses (\$112.3K) for October are lower than budget (\$118.6K) by \$6.2K or 5.3%. The variance is the result of lower CalPERS retirement expenses (\$1.8K), savings from prepaying the FY 21 CALPERS UAL expense (\$2.7K) and other small differences.*
- *Personnel Related Expenses (\$1.7K) for October are under budget (\$6.0K) by \$4.3K or 71.9%. The favorable variance comes mostly from lower Travel & Business Entertainment related expenses (\$4.0K) and other small variances (\$0.3K).*
- *Business Related Expenses (\$23.8K) for October are materially on budget (\$24.6K).*
- *Expendable/Consumable Supplies & Materials expenses (\$4.2K) for October are under budget (\$10.9K) by \$6.6K or 60.9%. This favorable expense variance resulted from lower expenses in all supplies categories*
- *Repair & Maintenance expenses (\$18.8K) for October are under budget (\$59.8K) by \$40.9K or 68.4%. This favorable expense variance resulted from lower Airfield Repair & Maintenance (\$13.1K), Terminal Space Repairs (\$12.6K), Rental Space Repairs and Maintenance (\$2.4K), Landscape & Grounds Repair & Maintenance (\$2.3K), General Repairs & Maintenance (\$1.6K) and District Vehicle Repair & Maintenance (\$8.7K). Most of the variances are timing differences in maintenance and repair projects.*
- *Outside Services expenses (\$217.6K) for October are materially on budget (\$220.3K) with a small favorable variance in Operations from a timing difference in completing the ACM map update for Taxiway E-F.*
- *Professional Service expenses (\$41.1K) for October are over budget (\$29.1K) by \$11.9K or 41.1%. The unfavorable variance comes from higher District and Other Legal Fees from the City of Monterey's lawsuit (\$20.7K) which was offset by lower Architect & Engineer expenses (\$4.6K), Computer / LAN & IT (\$2.9K) and Human Resources contract expenses (\$1.3K).*
- *Marketing related expenses (\$9.3K) for October were over budget (\$7.5K) by \$2.1K or 29.0%.*
- *Combined Utilities expenses for October (\$23.7K) were materially on budget (\$23.9K).*

With October revenues higher than budget and operating expenses lower than budget the result is an operating loss of \$110.3K for October which is \$245.8K lower than budgeted loss of \$356.1K. FYTD the operating loss is \$621.6K which is \$874.0K lower than budgeted loss of \$1.50M.

Review 4. Variance Analysis - MTD and YTD

Revenues:

*CA Landing Fee
GA Landing Fee
Terminal Space Rent
Terminal Concessions
TNC Permits & Trip Fees
Rental Car Concessions
Parking Concession
GA Fuel Flowage Fees
Hangar Rents
Facility / Space Rents
Office Space Rental Revenue
Tenant Employee Parking, Decals & Badges
Miscellaneous Other Operating Revenue*

Expenses:

Finance & Administration:

*Art Program
Other Legal Services
Marketing*

Planning & Development:

Architect & Engineer

Maintenance & Custodial Services:

*Custodial Supplies & Materials
Airfield Repair & Maintenance
Terminal Repair & Maintenance
Landscape & Grounds Repair & Maintenance
District Vehicle Repair & Maintenance*

Airport Operations:

Computer / LAN & IT

Police Department:

None

ARFF / Fire Services:

District Vehicle Repair & Maintenance

Board of Directors:

None

Office Rental Property:

Rental Space Repair & Maintenance

Other Income and Expense:

*Grants – FAA
Grants - FAA CARES ACT
Passenger Facility Charges*

There were no additional questions on revenues or expenses.

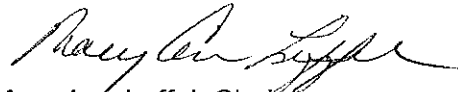
Review 5. Accounts Receivable Aged Invoice Report

The accounts receivable balance on October 31, 2020 is \$394K. This balance is 3.2% higher than September 30, 2020 balance of \$382K and 38.4% lower than the \$640K balance on October 31, 2019. The net accounts receivable balance over 60 days old on October 31, 2020 is \$47.1K. As of November 24, 2020, the over 60 days balance is \$1.5K and the accounts receivable balance is \$108.9K.

E. ADJOURNMENT

The meeting adjourned at 10:45 AM.

Minutes Approved at the
Meeting of December 16, 2020



Mary Ann Leffel, Chair

ATTEST



Michael La Pier, AAE
District Secretary